

MODIFICATION OF DOD FINANCIAL MANAGEMENT REGULATION
VOLUME 1, DEFINITIONS

Subject: Modification to the “Definitions” Section of Volume 1, DoD Financial Management Regulation (DoDFMR), “General Financial Management Information, Systems, and Requirements”

Modifications to the definitions below are necessary in order to more closely align the definitions with the definitions provided in the Office Of Management and Budget (OMB) Circular No. A-127.

Financial Management Process: The financial management process begins upon the creation of a business transaction which results in the recording of a financial event at the transaction level, and includes transaction details recorded in mixed systems, such as inventory and property systems, which are aggregated for posting to general ledger control accounts. The term “financial event” means any occurrence having financial consequences to the DoD and which is related to the receipt of appropriations or other financial resources; acquisition of goods or services; payments or collections; recognition of guarantees, benefits to be provided, or other potential liabilities; or other reportable financial activities. The financial management process ends with the preparation of the financial statements.

Financial Management System: Financial systems and the financial portions of mixed systems necessary to support financial management. The term “mixed system” means an information system that supports both financial and non-financial functions of the DoD. A financial management system contains transaction detail, including budget execution and monetary property accounting records supporting proprietary and budgetary general ledger accounts.

Financial System: An information system that supports the financial functions required to track financial events, including budget execution, provide financial information significant to the financial management of DoD, consolidate and roll-up financial information for combined reporting of like activities/functions or departmental level reporting, and required for the preparation of financial statements. A financial system is comprised of one or more functions that is used in accounting, finance or budget execution for any of the following:

1. collecting, processing, maintaining, transmitting, and reporting data about financial events;
2. supporting financial planning or budgeting activities;
3. accumulating and reporting cost information;
4. supporting the preparation of financial statements.

A financial system encompasses automated and manual processes, procedures, controls, data, hardware, software, and support personnel dedicated to the operation and maintenance of financial system functions. A financial system may include multiple functions that are integrated through a common database or are electronically interfaced, as necessary, to meet defined data and processing requirements.

A financial system provides budget execution capability when it records the funding and related budget execution documents, establishes and tracks the use of funds against limitations assigned, tracks the use of these funds through operating or financial plans, maintains current information on commitments and obligations according to the classification structure on a fund by fund basis, and provides for certification of funds availability prior to the issuance of a commitment, obligation or expenditure.